

Message Text

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71

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E.O. 11652: N/A

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SUBJECT: GILLESPIE ASSURES AMERICAN AUDIENCE OF CANADIAN SUPPORT
IN ENERGY CRISIS

BEGIN SUMMARY.

IN NOVEMBER 14 SPEECH, DELIVERED AT NEW YORK TO 60TH NATIONAL FOREIGN
TRADE CONVENTION AND WHICH HAS RECEIVED HEAVY PRESS PLAY HERE,
MINISTER OF INUDSTRY, TRADE AND COMMERCE (ITC) ALASTAIR GILLESPIE
PROMISED THAT CANADA WILL CONTINUE TO DO WHAT IT CAN TO HELP THE
UNITED STATES MEET ITS ENERGY NEEDS. HE CITED FACTS TO REASSURE
AUDIENCE THAT CANADIANS WERE NOT "FAIR-WEATHER FRIENDS", REPEATED
CANADA'S UNDERTAKING TO HELP WITH U.S. ENERGY PROBLEMS, AND SAID
THAT CANADA AND THE UNITED STATES HAD ALWAYS BEEN GOOD FRIENDS AS
WELL AS GOOD TRADING PARTNERS, USUALLY SHARING EACH OTHER'S ADVERSITY
AS WELL AS PROSPERITY. HE SAID: "LET THERE BE NO DOUBT ABOUT
CANADA'S DETERMINATION TO CONTINUE TO SUPPLY HER TRADITIONAL
TRADING PARTNERS AND FRIENDS...LET ME ALSO REMIND YOU THAT A
FUNDAMENTAL PRINCIPLE OF CANADIAN FOREIGN POLICY IS FRIENDSHIP WITH
THE UNITED STATES. CANADA DOES NOT AND WILL NOT HOLD HER FRIENDSHIPS
UP FOR RANSOM." END SUMMARY.

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1. TEXT OF ENERGY PORTION OF GILLESPIE'S ADDRESS FOLLOWS. COPIES OF ENTIRE TEXT, ENTITLED "CANADA IN A CHANGING TRADE WORLD", BEING SENT OPEN AIRMAIL TO EUR/CAN, EB/FSE, COMMERCE AND INTERIOR. EMBASSY COMMENDS ENTIRE TEXT AS MAJOR GOC POLICY STATEMENT ON BILATERAL ECONOMIC RELATIONS WITH U.S. AS WELL AS ON GATT MULTILATERAL TRADE NEGOTIATIONS.

BEGIN TEXT.

THESE ARE EXAMPLES WHERE YOUR EXPORT CONTROLS HAVE AFFECTED US. I WOULD BE SURPRISED, INDEED, IF MANY OF YOU ARE NOT THINKING OF A CONVERSE EXAMPLE-SPECIFICALLY, CANADA'S MEASURES TO CONTROL OUR EXPORTS OF OIL AND NATURAL GAS TO YOU.

SHORTAGES CAUSED BY INTERNATIONAL DEVELOPMENTS HAVE LED TO A SERIES OF BIZARRE EVENTS. FOR EXAMPLE, ONLY A FEW SHORT YEARS AGO IT SEEMED ALMOST INCONCEIVABLE THAT WHEAT MIGHT SOON BE IN SCARCE SUPPLY. OR, HOW MANY PEOPLE IN THE SIXTIES COULD HAVE FORESEEN THAT OUR TWO COUNTRIES WOULD NOW BE GRAPPLING WITH SUCH PROBLEMS AS RESOURCE ALLOCATION, RATIONING PROPOSALS AND CONSERVATION MEASURES.

THE OIL SITUATION HAS ALSO CHANGED DRAMATICALLY. UP TO ABOUT TWO YEARS AGO, YOU WERE RESTRICTING OUR OIL SALES TO YOU. NOW, WE HAVE HAD TO RESTRICT YOUR PURCHASES FROM US. I THINK IT WOULD BE WORTHWHILE FOR ME TO REVIEW THE SITUATION.

LET ME BEGIN BY ASSURING YOU THAT CANADA'S ACTIONS WERE TAKEN WITH NO WISH WHATSOEVER TO MAKE LIFE MORE DIFFICULT FOR YOU IN THE UNITED STATES. I SAY THIS TO COUNTERACT SOME OF THE OFFENSIVE AND MISINFORMED COMMENT COMING FROM SOME QUARTERS OF THIS COUNTRY THAT WOULD CALL INTO QUESTION CANADA'S FRIENDSHIP WITH THE UNITED STATES OVER OUR OIL EXPORT CONTROLS. I BELIEVE THE FACTS DEMONSTRATE THAT NEITHER OUR CONDUCT NOR OUR FRIENDSHIP IS SUSPECT.

QUITE SIMPLY, IT IS THE FOREMOST RESPONSIBILITY OF THE CANADIAN GOVERNMENT TO ENSURE THAT, AS MUCH AS POSSIBLE, CANADA'S OWN ENERGY NEEDS AND REQUIREMENTS ARE MET. AFTER THAT, WE CONTINUE TO STAND READY TO HELP YOU WITH YOUR ENERGY PROBLEMS WHERE POSSIBLE.

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THIS BASIC POLICY WAS REITERATED IN THE CANADIAN HOUSE OF COMMONS BY MY COLLEAGUE, THE MINISTER OF ENERGY, MINES AND RESOURCES, ONE WEEK AGO.

CANADA NOW PRODUCES THE EQUIVALENT OF WHAT WE CONSUME. WE HAVE BEEN EXPORTING ONE-HALF OF THE PRODUCTION TO YOU, AND IMPORTING ROUGHLY AN EQUAL AMOUNT FROM VENEZUELAN, ARABIAN AND OTHER SOURCES. I NEED NOT REMIND YOU WHAT HAS HAPPENED TO THE SUPPLY, AS WELL

AS THE PRICE, OF OUR OIL IMPORTS, AS WELL AS YOURS.

LAST SPRING YOUR DEMANDS FOR OIL INCREASED TREMENDOUSLY. THESE DEMANDS THREATENED TO DRAIN OUT OF CANADA MUCH OF WHAT WE WOULD REQUIRE AT HOME. UNDER THE CIRCUMSTANCES, WE HAD NO ALTERNATIVE BUT TO IMPOSE EXPORT CONTROLS--NOT TO CUT YOU OFF FROM OUR TRADITIONAL OIL EXPORTS, BUT TO ENSURE THAT CANADA HAD ENOUGH TO MEET OUR OWN FORECASTED NEEDS. AND REMEMBER, THIS WAS DONE LONG BEFORE THE MIDDLE EAST WAR AND THE INTRODUCTION OF NEW TACTICS IN ARAB OIL DIPLOMACY.

TO GO BACK TO LAST SPRING, THIS RAPID INCREASE IN YOUR DEMAND FOR OUR OIL WAS SOON FOLLOWED BY AN EVEN MORE RAPID RISE IN OIL PRICES. GIVEN THAT, ON PAPER AT LEAST, CANADA IS SELF-SUFFICIENT IN OIL AND NATURAL GAS PRODUCTION, WHY SHOULD CANADIANS BE EXPECTED TO SHOULDER THE RAPID SPIRAL IN OIL PRICES THAT WAS TAKING PLACE INTERNATIONALLY? CANADIANS TOO ARE CONCERNED WITH KEEPING PRICES DOWN.

AT THE BEINGING OF SEPTEMBER, THE MAJOR INTEGRATED OIL COMPANIES VOLUNTARILY AGREED TO A PRICE FREEZE ON THEIR SALES IN CANADA. PRICES IN THE UNITED STATES, HOWEVER, CONTINUED TO RISE. THIS CREATED A GAP BETWEEN CANADIAN AND U.S. PRICES. WE WERE SELLING OUR OIL TO IMPORTERS IN THE U.S. FOR LESS THAN YOUR OTHER INTERNATIONAL SUPPLIERS, OR, FOR THAT MATTER, FOR LESS THAN YOUR DOMESTIC SUPPLIERS

. CANADIANS ARE ALMOST TWICE AS DEPENDENT AS YOU ARE ON IMPORTED OIL-- JUST OVER 26 PERCENT OF YOUR OIL COMES FROM ABROAD, WHEREAS OVER 42 PERCENT OF OUR SUPPLY COMES FROM ABROAD. WOULD IT MAKE ANY SENSE TO BE IMPORTING HALF OUR OIL NEEDS AT WORLD PRICES WHILE EXPORTING HALF OUR DOMESTIC PRODUCTION AT LESS THAN WORLD PRICES? I THINK NOT.

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THE CANADIAN GOVERNMENT INTRODUCED AN EXPORT LEVY TO MAINTAIN THE DIFFERENTIAL BETWEEN OUR DOMESTIC PRICE AND THE GOING PRICE IN THE U.S.--TO MAKE SURE OUR OIL WOULD SELL FOR NO MORE AND NO LESS THAN THE GOING INTERNATIONAL AND U.S. DOMESTIC PRICE.

SINCE THEN, AS YOU KNOW, THE MIDDLE EAST WAR HAS CREATED A NEW AND DIFFERENT THREAT. WE

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